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DD/P 4-7864

20 July 1959 -

MEMORANDUM FOR: Acting Chief, Development Projects Division, DD/P

SUBJECT : Program Approvals

1. I am returning herewith four Program Approvals submitted for final approval by me or the DCI upon which I have taken no action. I am not acting on these documents because the form in which they are made out seems to me to reveal a misunderstanding of the nature and purpose of the new program system and the approvals procedure we initiated some months ago. Now that we are at the beginning of the new Fiscal Year, I believe we must achieve a common understanding (shared by section heads, Chief, DPD, and myself) of the way this system is to work and then operate it as intended. In the interest of such common understanding, I have summarized below my own views, including some comments on needed further refinements of our procedures. If there is any serious misunderstanding of or disagreement with the concepts outlined below, I would like to resolve it promptly.

2. I would remind you that pending the resubmission of the attached Program Approvals in the same or different form, there is no legal authority to obligate funds for the purposes contemplated in them. Indeed, the legal basis for many DPD activities may be lacking since it is my impression that I have received few Program Approvals for the current Fiscal Year. Moreover, I had received no operating budget for FY 1960 until 15 July and have not yet adequately reviewed or approved the figures then presented to me.

3. You will recall that prior to the change in our approval procedure some months ago, three different kinds of approvals were required for DPD activities. These were: an annual budget (which usually covered CHALICE and our administrative overhead); Project Approvals for major new projects such as GUSTO and CORONA; and approval by the DD/P or the DCI of every contract or contract amendment. The principal change embodied in the new procedure was the elimination of the requirement for the approval of contracts and the substitution therefor of a requirement for the approval (at the appropriate level) of whole projects or

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programs. It was contemplated that program documents would indicate contracts proposed to be entered into and that the approval of a program would constitute authorization to the contracting officer to execute contracts within its terms. A major purpose of this change was to reduce drastically the number of approving actions required (whether by Chief, DPD, DD/P or DCI) and at the same time to render such approvals more meaningful, in that the approving officer would be presented with whole projects or programs to act on in place of piece-meal contract documents which are understandable, as a rule, only in the context of whole projects or programs. It was also contemplated that all DPD activities (including administrative overhead) would eventually be grouped into programs so that a single type of approval would authorize contracting, approve projects, establish the annual budget (since the several DPD programs when assembled would constitute the total DPD budget), and thus replace the three types of approval formerly required.

4. As stated above, this procedure requires that all the activities of DPD which give rise to financial costs be cut up in a meaningful manner into projects or programs for review by approving officers. It was obvious how this should be done with respect to major projects such as GUSTO and CORONA and comprehensive informative program documents were prepared for these projects some months ago. As successive amendments to these two programs were required last year, the successive Program Approval supplements gave a reasonably clear picture in financial terms of the way in which the two programs were evolving.

5. With respect to the basic CHALICE program, it was not immediately clear how the new procedure should be applied, since in all previous years the CHALICE budget had constituted sufficient authorization for all parts of the program. Partly for the purpose of bringing CHALICE budgeting within the new procedure and partly also in the interests of better management within DPD, the activities included in CHALICE were split up into programs and the responsibility for the financial management of these programs assigned to section heads soon after the new approvals procedure became effective. The intention of this change was that there should be henceforth a development program, a materiel program, a budget of administrative and overhead costs which can be described as an administrative program, and certain activities constituting a program under the sponsorship of Operations. Each of these was to be monitored by the indicated section head who would be responsible for the initial preparation of the program and for initiating important amendments thereto for submission to approving officers.

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6. The new procedures were established in the middle of a fiscal year and could only come into operation gradually. It has been our intention all along, however, that by the beginning of the current Fiscal Year the above described system would be in full operation. By way of recapitulation, the main elements would be as follows:

a. The totality of the activities of DPD, including both procurement and operational activities, would be divided up into major projects and programs.

b. Certain of these units of activity such as CORONA and GUSTO of which the costs are predominantly for the procurement of goods or services on contract rather than for current operations or the maintenance of an operational system would be organized as projects. Others, such as the materiel program and the program of administrative costs, would in effect be sections of the DPD budget corresponding to defined areas of activity.

c. Each project or program would be the primary responsibility of a single designated section head.

d. At the beginning of the Fiscal Year, a budget for each program or project would be drawn up and submitted for approval. These budgets would in effect constitute programs for which DPD is responsible. Taken together the budgets of all DPD projects and programs would constitute the total DPD budget for the year.

e. As the Fiscal Year progressed and plans and requirements were modified in the light of changing conditions, section heads would be responsible for initiating both amendments to projects and programs and new projects as required. These would be prepared in a form which has been the subject of exhaustive discussions in earlier papers.

f. Having in mind the original objectives of these arrangements, it was anticipated that the total number of DPD programs or projects for FY 60 should not exceed 10 or 12. This would leave room for all of the following to be treated as separate units of activity and for several new projects like [REDACTED] to be added to the list:

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CORONA
GUSTO
CHALICE Development
Air Operations Development
Materiel
Administration
CHALICE Operations
Air Operations
Requirements and Special Research

7. I am hopeful that the above over-lengthy discussion will serve to refresh the minds of all concerned as to the basic concept on which we are operating. I do not wish to insist on a rigid and bureaucratic procedure and believe that the above arrangements in fact leave great flexibility to section heads. It seems to me, however, not unreasonable to insist:

a. That no component of DPD shall obligate funds except within approved programs, that is approved budgets.

b. That approvals shall not be sought piece-meal but only for whole projects or programs which constitute coherent units of activity.

c. That DPD should promptly submit Program Approvals for the current Fiscal Year covering all DPD activities, together with a summary sheet, this collection of papers to constitute the Division's budget for the year.

8. Although the basic concepts of the new procedure, as described above, seem clear and reasonable to me, there are a number of details which require clarification, elaboration, or improvement. I will mention the following which I believe should receive prompt attention and which I would hope to discuss with you and others in the near future.

a. Format -- The Program Approval form still leaves much to be desired, especially when it is used as originally intended for the presentation of a whole major program or project.

b. Definition and Assignment of Responsibility for Programs -- In paragraph 6. g. above, I have suggested that the work of DPD should be split up into no more than 10 or 12

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major units of activity each of which will be the subject of a single Program Approval. I gave in that paragraph an illustrative list of projects and programs. I would like to emphasize here that the list was intended to be purely illustrative and that I am by no means convinced that the dividing lines between different spheres of activity implied in the above list are in fact the most suitable ones.

c. Control and Administration of Procedures -- I believe it might be helpful to designate one officer in DPD to review all Program Approvals and supplements thereto in order to ensure that they are in the proper form prior to submission to C/DPD or higher authority for approval.

d. Control of Commitment of Funds -- Although the exercise of control over the commitment of funds is only indirectly related to the subject matter of this paper, I believe that clarification of our programming and approvals procedure should be made the occasion for a parallel clarification of controls over the commitment of funds.

e. Status of Funds and Projection Reports - When the procedures herein outlined are in effective operation, changes may be called for in the Status of Funds and Projection Reports to ensure their complete consistency with program documents.

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RICHARD M. BISSELL, JR.
Deputy Director
(Plans)

Attachments: Program Approvals
(DPD-4654-59, all copies)
(DPD-4655-59, all copies)
(DPD-4696-59, all copies)
(DPD-4792-59, all copies)

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